

Message Text

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ACTION EB-07

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 5225

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E.O. 11652: N/A

TAGS: EAIR, IT

SUBJECT: CIVAIR - OTC PROBLEMS IN ITALY

REF: STATE 3770

SUMMARY. CIVILAVIA HAS FINALLY PROVIDED EXPLANATION OF ONA OTC REFUSAL BASED ON ONA'S FAILURE FULLY COMPLY WITH REQUIREMENTS IN CURRENT CIVILAVIA ITC REGULATIONS. ALITALIA DEFINITELY INTENDS ENTER OTC MARKET THIS YEAR AND WOULD LIKE TO BEGIN OPERATIONS IN PARIL; IT THEREFORE ANXIOUS SETTLE OTC PROBLEMS DURING FEBRUARY CONSULTATIONS. CIVILAVIA REPORTEDLY PREPARING SEPARATE OTC REGULATIONS TO BE ISSUED UPON SUCCESSFUL CONCLUSION USG-GOI OTC TALKS. ALITALIA SAYS IT WILL NOT FILE OTC APPLICATIONS WITH CAB BEFORE THESE TALKS CONCLUDED. END SUMMARY.

1. EMBASSY HAS RECEIVED COPY OF LETTER FROM CIVILAVIA TO MINISTRY OF FOREIGN AFFAIRS (MFA) EXPLAINING WHY OVERSEAS NATIONAL AIRLINES (ONA) APPLICATION FOR SERIES OF ONE-STOP INCLUSIVE TOUR CHARTERS (OTC) ON BEHALF OF CAREFREE TRAVEL AND DAVID'S TRAVEL WAS REFUSED. LETTER STATES THAT, CONTRARY TO CIVILAVIA INCLUSIVE TOUR CHARTER (ITC) REGULATIONS OF APRIL 22, 1974 (CIVILAVIA CIRCULAR 310642/34), ONA APPLICATION INDICATED TWO, RATHER THAN A SINGLE, TRAVEL AGENTS HAD JOINTLY CHARTERED THE AIRCRAFT AND THE INCLUSIVE PRICE WAS BELOW PRESCRIBED MINIMUM.

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2. ABOVE REASONS FOR REFUSAL ARE MUCH DIFFERENT FROM PREVIOUS RATIONALE OFFERED BY CIVILAVIA, I.E., "AN OTC IS NOT AN ITC," WHEN EMBOFF ASKED CIVILAVIA DIRECTOR OF AIR TRANSPORT SERVICES SITAJOLO FOR EXPLANATION OF ONA REFUSAL. CIVILAVIA'S LETTER THROUGH MFA IS IN RESPONSE TO EMBASSY'S LETTER TO CIVILAVIA DIRECTOR GENERAL MOCI (COPY TO MFA) REQUESTING LEGAL BASIS FOR REFUSAL OF ONA APPLICATION; EMBASSY'S LETTER NOTED CIVILAVIA ITC REGULATIONS SPECIFY NEITHER A MAXIMUM NOR A MINIMUM NUMBER OF STOPS.

3. EMBOFF DISCUSSED OTC SITUATION WITH ALITALIA REP LECCESE (DIRECTOR, INTERNATIONAL AGREEMENTS) JANUARY 15. HE CONFIRMED THAT ALITALIA DESIRES ENTER OTC BUSINESS, SINCE IT WILL HAVE TWO DC-8/62 AIRCRAFT AVAILABLE FULL-TIME DURING 1976 AND THEREAFTER FOR CHARTER ACTIVITIES (REFLECTING ALITALIA'S DECISION TO OPERATE ONLY WIDE-BODIED AIRCRAFT ON NORTH ATLANTIC ROUTES). HE SAID ALITALIA'S US REPS HAVE BEEN DISCUSSING OTC PROGRAMS WITH US TRAVEL AGENTS BUT THAT ALITALIA WILL SUBMIT NO OTC APPLICATIONS TO CAB UNTIL US AND ITALIAN AUTHORITIES HAVE CLEARED UP OTC PROBLEMS DURING FORTHCOMING CIVAIR CONSULTATIONS. LECCESE SAID ALITALIA HAS INTERNAL DEADLINE OF MARCH 10 FOR RESOLUTION OF OTC PROBLEM IF IT IS TO BEGIN SUCH FLIGHTS IN PARIL AS INTENDED. HE INDICATS MAJOR PROBLEM TO BE ADDRESSED IN NEW CIVILAVIA OTC REGULATIONS IS MINIMUM PRICE. (CIVILAVIA'S PRESENT ITC PRICE FORMULA EVIDENTLY RESULTS IN OVER-PRICED PACKAGE FOR ONE-STOP TOURS.)

4. EMBOFF ASKED WHETHER, IN LECCESE'S OPINION, CIVILAVIA WOULD BE WILLING APPROVE OTC APPLICATION FILED BY US CARRIER IF SUCH APPLICATION FULLY COMPLIED WITH SINGLE CHARTERER AND PRICE REQUIREMENTS IN CURRENT CIVILAVIA ITC REGULATIONS. LECCESE THOUGHT SUCH APPROVAL HIGHLY UNLIKELY PRIOR TO CONCLUSION USG-GOI DISCUSSION OTC PROBLEMS. (COMMENT. SINCE CIVILAVIA NOW REQUIRES 90 DAYS ADVANCE NOTICE FOR ITC, IT COULD SIMPLY SIT ON APPLICATION PENDING OUTCOME BILATERAL CONSULTATIONS, THUS AVOIDING IMMEDIATE DECISION.)

5. LECCESE INDICATED CIVILAVIA PREPARING COMPREHENSIVE NEW CHARTER REGULATION WHICH, IF DISCUSSIONS WITH US AUTHORITIES WERE SATISFACTORY, COULD INCLUDE TRAVEL GROUP CHARTERS (TGC) LIMITED OFFICIAL USE

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AND/OR ADVANCE BOOKING CHARTERS (ABC).

6. COMMENT. EMBASSY BELIEVES US CARRIERS CAN NOW PROCEED TO DISCUSS 1976 SUMMER OTC PROGRAMS WITH TRAVEL AGENTS (AND VICE VERSA). GIVEN ALITALIA'S INTENTIONS, IT HIGHLY PROBABLE THAT OTC DISCUSSIONS DURING FEBRUARY CIVAIR CONSULTATIONS WILL RESULT IN SEPARATE OTC REGULATIONS BEING ISSUED BY CIVILAVIA. EMBASSY'S GREATEST CONCERN IS THAT CIVILAVIA MIGHT BE WILLING

WAIVE ADVANCE NOTICE REQUIREMENTS IN ANY SUCH NEW OTC REGULATIONS FOR ALITALIA BUT NOT RPT NOT FOR US CARRIERS. EMBASSY TRUSTS THAT DEPARTMENT AND CAB WILL TAKE WHATEVER STEPS ARE NECESSARY DURING AND AFTER CONSULTATIONS TO PRECLUDE ANY SUCH DISCRIMINATORY TREATMENT. OTHER MAJOR PROBLEM, OVER WHICH USG HAS NO CONTROL, IS THAT ALITALIA WILL HAVE ADVANCE NOTICE OF CONTENTS OF CIVILAVIA OTC REGULATIONS WHILE US CARRIERS WILL NOT; IT THEREFORE POSSIBLE FOR ALITALIA TO CONCLUDE CONTRACTS WITH TRAVEL AGENTS BEFORE US CARRIERS ARE ABLE SAFELY TO DO SO. VOLPE

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